FARM CREDIT ADMINISTRATION
Washington, D. C.

SUMMARY OF CASES

RELATING TO

FARMERS' COOPERATIVE ASSOCIATIONS

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Summary No. 6 June 1940

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CONNOLLY CASE OVER-RULED

On May 6, 1940, the Supreme Court of the United States over-ruled the case of Connolly v. Union Sewer Pipe Co., 184 U. S. 540, in an appeal for review from a judgment of the Court of Criminal Appeals of Texas sustaining the constitutionality of a Texas anti-trust statute and upholding an indictment under it.

The appellant who was charged with participation in a conspiracy to fix the retail price of beer contended that the criminal statute was invalid for the reason that its provisions did not "apply to agricultural products or live stock in the hands of the producer or raiser," and that this exemption offended the Fourteenth Amendment of the Constitution of the United States.

The Supreme Court stated:

> "The court below recognized that the exemption was identical with that deemed fatal to the Illinois statute involved in Connolly's case. But it felt that time and circumstances had drained that case of vitality, leaving it free to treat the exemption as an exercise of legislative discretion. A similar attitude has been reflected by the Wisconsin Supreme Court, Northern Wis. Cooperative Tobacco Pool v. Bekkedal, 182 Wis. 571, 593, and appears to underlie much recent state and federal legislation. Dealing as we are with an appeal to the Constitution, the Connolly case ought not to foreclose us from considering this exemption in its own setting.
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> "The problem, in brief, is this: May Texas promote its policy of freedom for economic enterprise by utilizing the criminal law against various forms of combination and monopoly, but exclude from criminal punishment corresponding activities of agriculture?
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> "Legislation, both state and federal, similar to that of Texas had its origin in fear of the concentration of industrial power following the Civil War. Law was invoked to buttress the traditional system of free competition, free markets and free enterprise. Pressure for this legislation came more particularly from those who as producers, as well as consumers constituted the most dispersed economic groups. These large sections of the population--those who labored with their hands and those who worked the soil--were as a matter of economic fact in a different relation to the community from that occupied by industrial combinations. Farmers were widely scattered and inured to habits of individualism; their economic fate was in large measure dependent upon contingencies beyond their

control. In these circumstances, legislators may well have thought combinations of farmers and stockmen presented no threat to the community, or, at least, the threat was of a different order from that arising through combinations of industrialists and middlemen. At all events legislation like that of Texas rested on this view, curbing industrial and commercial combinations, and did not visit the same condemnation upon collaborative efforts by farmers and stockmen because the latter were felt to have a different economic significance.

"Since Connolly's case was decided, nearly forty years ago, an impressive legislative movement bears witness to general acceptance of the view that the differences between agriculture and industry call for differentiation in the formulation of public policy. The states as well as the United States have sanctioned cooperative action by farmers; have restricted their amenability to the anti-trust laws; have relieved their organizations from taxation. See, e. g.: Capper-Volstead Act, 42 Stat. 388, 7 U. S. C. §291; Clayton Act, 38 Stat. 730, 731, 15 U. S. C. §17; §101(a) of the Internal Revenue Code, 53 Stat. 33. Such expressions of legislative policy have withstood challenge in the courts. Liberty Warehouse Co. v. Tobacco Growers, 276 U. S. 71. Congress and the states have sometimes thought it necessary to control the supply and price of agricultural commodities within their respective spheres of jurisdiction, and the constitutional validity of these measures has been sustained. Mulford v. Smith, 307 U. S. 38; United States v. Rock Royal Co-op., 307 U. S. 533; Nebbia v. New York, 291 U. S. 502.

"At the core of all these enactments lies a conception of price and production policy for agriculture very different from that which underlies the demands made upon industry and commerce by anti-trust laws. These various measures are manifestations of the fact that in our national economy agriculture expresses functions and forces different from the other elements in the total economic process. Certainly these are differences which may be acted upon by the lawmakers. The equality at which the "equal protection" clause aims is not a disembodied equality. The Fourteenth Amendment enjoins "the equal protection of the laws", and laws are not abstract propositions. They do not relate to abstract units A, B, and C, but are expressions of policy arising out of specific difficulties, addressed to the attainment of specific ends by the use of specific remedies. The Constitution does not require things which are different in fact or opinion to be treated in law as though they were the same. And so we conclude that to write into law the differences between agriculture and

other economic pursuits was within the power of the Texas legislature. Connolly's case has been worn away by the erosion of time, and we are of opinion that it is no longer controlling." (underscoring added.)

The Texas anti-trust laws include, in addition to the criminal statute just referred to, a civil statute under the terms of which no exemption is given to farmers and stockmen; and the appellant contended that the divergence between the civil and criminal laws on the same subject rendered the exemption in the criminal statute invalid. On this point the Supreme Court stated in part:

"Legislation concerning economic combinations presents peculiar difficulties in the fashioning of remedies. The sensitiveness of the economic mechanism, the risks of introducing new evils in trying to stamp out old, familiar ones, the difficulties of proof within the conventional modes of procedure, the effect of shifting tides of public opinion--these and many other subtle factors must influence legislative choice. Moreover, the whole problem of deterrence is related to still wider considerations affecting the temper of the community in which law operates. The traditions of a society, the habits of obedience to law, the effectiveness of the law-enforcing agencies, are all peculiarly matters of time and place. They are thus matters within legislative competence. To say that the legislature of Texas must give to farmers complete immunity or none at all, is to say that judgment on these vexing issues precludes the view that, while the dangers from combinations of farmers and stockmen are so tenuous that civil remedies suffice to secure deterrence, they are substantial enough not to warrant entire disregard. We hold otherwise. Here, again, we must be mindful not of abstract equivalents of conduct, but of conduct in the context of actuality. Differences that permit substantive differentiations also permit differentiations of remedy. We find no constitutional bar against excluding farmers and stockmen from the criminal statute against combination and monopoly, and so holding, we conclude that there was likewise no bar against making the exemption partial rather than complete."

Tigner v. Texas, 60 S. Ct. 879. Attention is called to the fact that the opinion of the Court of Criminal Appeals of Texas sustaining the validity of the Texas anti-trust law and which was reviewed by the Supreme Court in this case was digested on page 14 of summary No. 3.

DIRECTORS HELD PERSONALLY LIABLE FOR DEBTS OF ASSOCIATION

A cooperative association was incorporated in 1920 in Kentucky under articles of incorporation which provided that the highest amount of indebtedness or liability which the corporation might incur was $10,000, and that the members of the association were not liable for its debts. The articles made no provision for the issuance of capital stock, but the association collected $6 annual dues from its members, $2 of which was turned over to the State Farm Bureau and 50¢ was turned over to the National Farm Bureau.

The association engaged in business without any capital funds other than the membership dues, and operated largely with borrowed money for a period of over 10 years when it made an assignment for the benefit of its creditors. The Federal Chemical Company, a creditor, brought an action against the directors of the association, predicated on the ground that the board of directors had become liable by negligently violating the provisions of its articles of incorporation limiting the amount of its liabilities to $10,000, in that they had permitted the association to contract debts in excess of that amount. From an adverse judgment in the trial court, an appeal was taken to the Court of Appeals of Kentucky.

Upon appeal it was contended by the directors of the corporation that it had not been incorporated under the Business Corporation Act, but was a mutual organization incorporated under an act entitled "An Act to provide for the organization of eleemosynary and educational institutions," and was therefore not subject to the provisions of the general corporation law. The court stated, however, that the latter act contained no authority for the organization of a farm bureau, and therefore this contention was over-ruled.

The court found that while the association was not a de jure corporation, since all of the statutory provisions applicable to the incorporation of a corporation under the Business Corporation Act had not been met, it was nevertheless a de facto corporation.

Section 550 of the general corporation laws provided:

> "If the directors or officers of any corporation shall fail or refuse to comply with, or shall violate any of the provisions of, this article, those so failing, refusing or violating shall be jointly and severally individually liable for any loss or damage resulting to any person from such failure, refusal or violation, and, in addition thereto, the persons so liable shall be each punished by a fine of not less than one hundred nor more than one thousand dollars."

The court said:

> "This section has often been construed by us to govern the liability of directors of a corporation who fail or refuse to comply with or violate any provision of the article of which section 550 is a part, and if they fail, or refuse to comply therewith, or violate it, they are jointly, severally and individually liable for any loss or damage resulting to any person for such failure, refusal, or violation. Randolph v. Ballard County Bank, 142 Ky. 145, 134 S. W. 165; Nuckels v. Robinson-Pettett Co., supra; Croninger v. Bethel Grove Camp Ground Ass'n., 156 Ky. 356, 161 S. W. 230; Phoenix Third National Bank v. Martin, supra."

The court further said in part:

> "Section 539, Kentucky Statutes, mandatorily imposed upon the incorporators of the bureau, as a corporation, to specify in the articles of incorporation the amount of its capital stock and the number of shares into which the same 'shall be divided.' The incorporators disregarded this provision, and failed to, and did not, state in the articles of incorporation the amount of its capital stock and the number of shares into which the same was to be divided. The board of directors, including those sued in this action, continuously ignored this requirement of section 539, as well as other sections of the same article, governing the organization and operation thereunder of corporations, though the bureau for more than ten years engaged in business as a corporation.
>
> "Therefore, during the period of its corporate existence, it was a de facto corporation under section 539 et seq. A de facto corporation exists (Taylor on Private Corporations, page 145) 'when a body of men are acting as a corporation under color of apparent authority, in pursuance to some charter, or enabling act.'
>
> "....."
>
> "The ignorance to any extent or degree of, or the failure to comply with, the requirements of section 539 et seq. on the part of the incorporators or the sued directors of the farm bureau or their predecessors in office, may not now be invoked by the present directors to protect them from their individual liability imposed on them by section 550. The statutory obligation was on them to take notice of the statutes and the charter powers and limitations of the corporation whose affairs and business they as directors governed and controlled."

It was also contended on behalf of the directors that since the Federal Chemical Company and its salesmen were aware of the fact that the association had exceeded its debt limits at the time the indebtedness in question was contracted, it was estopped to hold the directors personally liable therefor. While the court indicated that if the directors had been able to establish knowledge on the part of the Chemical Company, there would have been no liability, it concluded that the evidence introduced in the trial of the case had failed to sustain this contention.

The court concluded its opinion with the following statement:

> "It is argued by the directors that they are not liable to the Federal Chemical Company for the loss of its debt, since they were not directors when the antecedent debts were created. Their liability does not arise solely from the fact the bureau was indebted before the Federal Chemical Company's sales of fertilizer to it. Their liability arises out of their suffering and permitting the general manager of the bureau to purchase the fertilizer when the corporation had already exceeded the debt limit, and the loss resulting therefrom.
>
> "The Federal Chemical Company insists that even though the Boone County Farm Bureau was not in law a corporation, the directors are liable as partners for suffering and permitting the business to be conducted in the name of, and as, a corporation.
>
> "Since it is our view the corporation was in reality at least a de facto corporation, and its directors, sued in this action, suffered and permitted the corporation to violate the debt limit as fixed in the articles of incorporation, they are, under section 550, liable to the Federal Chemical Company for the loss of its debt, it is unnecessary to consider the liability of the directors from the viewpoint of partners. A reader interested in the topic is referred to Cincinnati Cooperage Co. v. Bate, 96 Ky. 356, 26 S. W. 538, 16 Ky. Law Rep. 626, 49 Am. St. Rep. 300, and Ogden Packing & Provision Co. v. Wyatt, 59 Utah, 481, 204 P. 978, 22 A.L.R. 359."

From the foregoing it is apparent that the court proceeded on the theory that the directors in permitting the corporation to exceed the debt limit fixed in the articles of incorporation became liable under the statute.

With respect to the liability of directors in cases in which a corporation exceeds its debt limitation, it is said in Fletcher Cyclopedia of Corporations (Permanent Edition) Vol. 3, page 705:

"If the statute limits the amount of the indebtedness but does not impose personal liability for violation thereof upon directors or other officers, there is no personal liability, since it did not exist at common law, and hence the right to recover depends wholly upon the terms of the statute which should be strictly construed."

Federal Chemical Co. v. Paddock, 264 Ky. 338, 94 S. W. 2d, 645.

STOCKHOLDERS RETAINING STOCK NOT ENTITLED TO ITS VALUE

The gin of the Farmers Gin Company burned and the Company collected $10,000 in insurance. A meeting of the stockholders was called for the purpose of ascertaining if the corporation should be liquidated, or if a new gin should be built. The stockholders voted not to liquidate but to rebuild and this was done. At that time a valuation of $125 was placed upon each share of stock. At the meeting of the stockholders they were given the "option" of receiving $125 for each share of stock held by them, or of "lending" this amount to the corporation with the agreement that interest was to be paid thereon at the rate of 10 percent per annum; with the further understanding that no dividends were to be declared from May 1, 1926, on any stock until after the "indebtedness" had been paid. Up until the time the gin burned net earnings had been distributed on a patronage basis. After May 1, 1926, cash payments aggregating $71.25 per share of stock were paid to the stockholders. Then, as stated by the court:

"the company returned to the 'bale dividend' basis. By 'bale dividend' was meant that to the stockholders who ginned with the defendant there was returned approximately the net profit acquired by defendant in ginning the stockholders' cotton. The result of payment of 'bale dividends' was that a stockholder who did not gin his cotton with defendant received no dividend on his stock, even if a net profit was earned by the defendant."

In 1935, although the Company operated at a profit, no payments were made on the so-called "loans" but the Company distributed net earnings of approximately $2500 in the form of per bale dividends to those who had had their cotton ginned at the Company plant. Thereupon, certain of the stockholders brought suit against the Farmers Gin Company for debts alleged to have been incurred in the manner described above. From an adverse decision in the lower court an appeal was taken to the Court of Civil Appeals of Texas, which, in affirming the judgment of the lower court said, in part:

"We shall first consider whether the transaction was a loan. Article 1348, R.S. 1925, provides:

"'No corporation * * * shall create any indebtedness whatever except for money paid, labor done * * * or property actually received reasonably worth at least the sum at which it was taken by the corporation.'

"It is evident the plaintiff stockholders never acquired the $125 per share alleged to have been loaned by them to the defendant. The good faith mistake of the stockholders and the confusion in this case seems to have resulted from their failure to distinguish between the situation of parties dealing with each other as individuals or members of a partnership, and parties dealing with a corporation in which they own shares of stock. A corporation is a legal entity distinct from its stockholders. The assets of the defendant corporation in May, 1926, appear to have consisted of $10,000 collected as insurance after the gin was burned, and the land on which the gin had been located. * * * The money was in a bank to the credit of defendant. The title to the realty was in the defendant. These assets were the property of the corporation, not its stockholders. True, the stockholders could have dissolved the corporation and divided its assets among the stockholders. Plaintiffs pleaded and proved that they did not do so. Therefore, plaintiffs did not acquire the $125 per share in that manner.

"Were the plaintiffs entitled to the $125 per share, which they claimed to have loaned to the defendant, as a dividend? We think they were not, for reasons hereinafter stated. The evidence shows, we think, conclusively, if not, it certainly sustains the presumed finding of the trial court that the facts were as hereinbefore stated.

"The right of management of the business was vested in the directors, not the stockholders. If the stockholders did not approve of the management of the business by the directors, they could, in the prescribed manner, at the regular time, elect other directors. The evidence shows that if the stockholders had acquired the $125 per share, the entire assets of the corporation would have been exhausted. This cannot be done, except upon dissolution of the corporation. Plaintiffs cannot receive the value of their stock in the corporation, or acquire a debt for that amount, and still own the stock. In re Phoenix Hotel Co. of Lexington, Ky., 6 Cir., 83 F. 2d 724. Their attempt to fix a debt against the defendant corporation based on the stockholders' estimate of the value of the corporation's assets and a division thereof by the number of shares could not operate to create a debt. 10 Tex. Jur. §241, p. 873. Was there a dividend, either in stock or cash, legally declared?

The directors, not the stockholders, are authorized to declare a dividend. 'But it has been held that when the stockholders, including all the directors of a corporation, meet and agree to a division of the profits, and such agreement is executed, the corporation is bound thereby.' 14 C.J. §1227, p. 807. Assuming that the meeting in May, 1926, was more than a stockholders' meeting, and was also a directors' meeting, because, being stockholders, the directors were present, still, the agreement interpreted by the plaintiffs as in substance a payment to them of $125 which they purported to then 'loan' to the corporation was not out of 'profits.' According to the testimony, it would have taken the entire assets of the corporation to pay the $125 per share. 10 Tex. Jur. §302, p. 952.

"Article 594, R. S. 1925, is as follows: 'It shall be unlawful for any concern included in this title to declare, issue or pay a cash dividend to its stockholders or any of them, out of any funds other than the actual earnings of such company in the course of its operations, except upon the lawful liquidation thereof.'" (Underscoring added.)

The court concluded with the statement:

"An agreement to pay the value of all the assets of a corporation to its stockholders cannot be enforced as a declared dividend or otherwise, except upon dissolution of the corporation. Dividends may be paid out of profits but not out of the capital assets of the corporation." Adams v. Farmers Gin Company, (Civil Appeals of Texas) 114 S. W. 2d 583.

MAY PATRONAGE DIVIDENDS BE PAID BEFORE PAYING A DIVIDEND ON STOCK?

May a cooperative association distribute patronage dividends without first paying a dividend on its capital stock? The answer to this question may frequently be found in the statutes under which an association is incorporated. In the absence of an applicable statutory provision, the answer should be sought in the articles of incorporation and bylaws of an association.

In an Oklahoma case, the court found that the question was answered by a statutory provision, under which patronage dividends could be declared before the payment of any dividends on capital stock.

At the annual meeting of stockholders of a cooperative gin, a motion failed to carry which contained an instruction to the directors to pay from the net earnings of the association a dividend to the holders of capital stock of not to exceed 8 percent. A motion was then adopted instructing the directors, after setting aside

10 percent of the earnings for a reserve fund, to distribute the remainder of the net earnings among the members on a patronage basis. The directors shortly thereafter ordered an apportionment of the association's earnings on a patronage basis, pursuant to the resolution adopted by the stockholders. One of the members of the association sought to enjoin it from distributing its net profits in the form of patronage dividends without first paying dividends on the stock. The lower court dismissed the petition for an injunction:

The statute provided:

> "Dividends and Profits--Reserve Fund. The directors, subject to revision by the stockholders, at any general or special meeting lawfully called, shall apportion the net earnings and profits thereof from time to time at least once in each year in the following manner:
>
> "(1) Not less than ten per cent thereof accruing since the last apportionment shall be set aside in a surplus or reserve fund until such fund shall equal at least fifty per cent of the paid up capital stock.
>
> "(2) Dividends at a rate not to exceed eight per cent per annum, may, in the discretion of the Directors, be declared upon the paid up capital stock. Five per cent may be set aside for educational purposes.
>
> "(3) The remainder of such net earnings and profits shall be apportioned and paid to its members ratably upon the amounts of the products sold to the Corporation by its members, and the amounts of the purchases of members from the Corporation: provided, that if the by-laws of the Corporation shall so provide the Directors may apportion such earnings and profits in part to non-members upon the amounts of their purchases and sales from or to the Corporation." (Underscoring added)

The Supreme Court of Oklahoma held that under the terms of the statute the payment of a dividend on stock before making a patronage distribution was optional with the association, and not mandatory and said:

> "If there is any doubt or ambiguity in a statute, it is the duty of the court, in interpreting it, to give it the most reasonable and just interpretation, as the legislative intent, rather than an interpretation that is unreasonable and unjust, or one that will lead to an absurdity. Ledegar v. Bockoven, 77 Okl. 58, 185 P. 1097. But there is no doubt or ambiguity present here; in fact, it seems apparent that the Legislature

went to extra pains to avoid that very thing: In subdivision 1 it is provided that not less than 10 per cent. 'shall be set aside in a surplus or reserve fund,' in subdivision 3 the remainder 'shall' be apportioned and paid to the members ratably, but in subdivision 2 there is only the provision that the directors 'may' declare dividends, and, in order to leave no doubt about the matter, the word 'may' was emphasized by the addition of the phrase 'in the discretion of the Directors.' This is clear and unequivocal language, expressing a simple meaning.

"Carrying plaintiff's argument to its logical end, it would be a mandatory duty of the directors to set aside, also, 5 percent. of each division of profits for educational purposes, for it is provided in subdivision 2 that this 'may' be done, and, under subdivision 3, by the same reasoning (if the by-laws so authorize) it would be mandatory to apportion a part of the profits to nonmembers who have purchased from and sold to the corporation. This is a 'reductio ad absurdum.'

"Plaintiff further contends that under the trial court's judgment a stockholder, though having invested his money in the concern, has no legal right to demand or expect to share in a division of the profits. The answer is that a co-operative corporation is a special and peculiar form of business enterprise which is not within the class of corporation designed purely and solely for money profit. As said by Justice Brandeis in his dissenting opinion to Frost v. Corporation Commission, 278 U.S. 517, 49 S. Ct. 235, 243, 73 L. Ed. 483, involving this identical statute (the dissent, however, not hinging on this point): 'The act further discourages entrance of mere capitalists into the co-operative by provisions which permit 5 per cent. of the profits to be set aside for educational purposes; which require 10 per cent. of the profits to be set aside as a reserve fund, until such fund shall equal at least 50 per cent. of the capital stock; which limit the annual dividends on stock to 8 per cent.; and which require that the rest of the year's profits be distributed as patronage dividends to members, except so far as the directors may apportion them to nonmembers.' Doss v. Farmers Union Co-op. Gin Co., 173 Okl. 70, 46 P. (2d), 950."

MILK ASSOCIATION ENJOINED FROM INTERFERING WITH BUSINESS OF DISTRIBUTOR

A milk producers association brought an action against a distributor and certain of its members to enjoin the members from delivering milk to the distributor, and to enjoin the distributor from purchasing milk of the members of the association. Apparently the

association did not seek to recover damages for a breach of the marketing contracts. In his answer, the distributor alleged that the association had maliciously interfered with his business by spreading false reports regarding his financial responsibility, and asserting that he was not honestly testing the butterfat content of milk shipped to him by the other defendants. On the trial of the case, a judgment was rendered denying the association the relief sought, and enjoining the association from interfering with the relations between the dealer and the defendants' members.

From the judgment the association appealed, but while the appeal was pending, the defendant members exercised their rights of cancelation as provided in the marketing contracts.

The Supreme Court of Kansas held that since the defendant members were no longer members of the association, they were no longer bound by the marketing contracts, and said in part:

> "In this case it is difficult to see how any order this court should make would restore the status. When the contract pleaded was entered into, it provided that the parties could cancel it at a certain time in any year. These defendants have taken advantage of that provision as they had a right to do.
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> "Plaintiff meets this argument that the appeal should be dismissed by stating first that its action was brought for general relief as well as for an injunction and that the relief prayed for entitled plaintiff to damages for breach of the membership agreement. An examination of the prayer discloses that the only relief prayed for was an injunction against the producers and Bridges unless the prayer for such other and further relief as to the court might seem equitable and just be so construed. We hold that this clause in the prayer is not open to such a construction. Furthermore, there are no allegations in the petition with reference to a measure of damages. The entire petition is clearly drawn for the purpose of stating a cause of action for an injunction. Plaintiff further argues that the appeal ought not to be dismissed because the cause of action pleaded was based on an alleged conspiracy between the producer defendants and Bridges to injure plaintiff and there is some evidence of a conspiracy, and argues further that the appeal ought not be dismissed because the change in status of the parties was caused by the act of defendant producers themselves. Granting that these two statements be correct, that does not change the fact that there is no contract at this time which this court could order the producers to perform. Should plaintiff bring an action for damages against Bridges and the producers, we would have a

different question. In accordance with what has been said here, it follows that the appeal as to the judgment denying an injunction against the producers should be and it is dismissed." (Underscoring added)

It may be implied that had the association sought damages from the distributor and its members for breach of contract, the court would probably have reached a different conclusion on this point.

With regard to the judgment rendered in the lower court, enjoining the association from interfering with the contractual relations between Bridges and the producers, the court stated:

"Plaintiff argues that this injunction should not have been granted. We will examine that order. The paragraph of the journal entry with which we are concerned is as follows: '3. That the plaintiff, its officers, agents, servants and employees and anyone acting for and on behalf of the plaintiff be, and they are hereby forever enjoined from hindering, harassing or molesting the defendant, J. L. Bridges in his business relationships with the public, his customers to whom he sells and from who he buys, by the circulation or communication of false statement; or by seeking to induce persons dealing with said defendant to sever or discontinue their business relations with said defendant, for the purpose of injuring the said defendant in the profitable conduct of his business.'

"In the first place, plaintiff can hardly complain about being enjoined from molesting the defendant Bridges in his business relationships with the public and those to whom he sells and from whom he buys by the circulation or communication of false statements. No one would want to do that. There was, moreover, some evidence in this record that agents of plaintiff had told some of the defendant producers that Bridges had not tested their milk correctly. The trial court was warranted in concluding from this evidence if it was believed that plaintiff had made false statements about Bridges to his producers. Under the circumstances it was proper for the trial court to make such an order.

"The injunction further enjoined plaintiff from seeking to induce persons dealing with Bridges to sever their business relations with him for the purpose of injuring him in the profitable conduct of his business. Plaintiff argues that the provisions of this order are so broad as to prevent plaintiff from going ahead with the business of organizing a co-operative association of dairymen in the territory where it is operating. We hold that this order does not admit of such

an interpretation. The order only enjoins such acts as are done for the purpose of injuring Bridges in the profitable conduct of his business. This order was a proper one." (Underscoring added)

Pure Milk Producers Association, Inc. of Greater Kansas Territory v. Bridges, et al., 146 Kans. 15, 68 p 2d, 658.

The case of Hy-Grade Dairies v. Falls City Milk Producers Association et al, 261 Ky. 25, 86 S.W. 2d 1046 digested on page 12 of Summary No. 4 also involved the right of a milk distributor to obtain an injunction against an association.